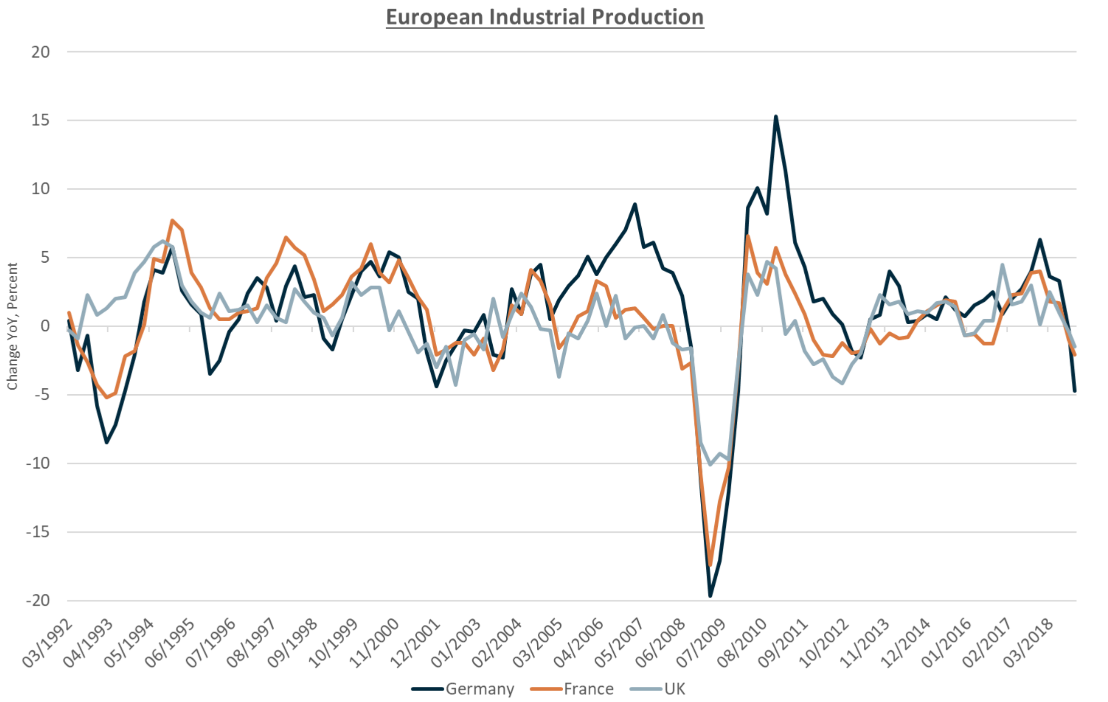
VT Tyndall Global Select Fund Commentary

January 2019

TYNDALL

"Rely on the ordinary virtues that intelligent, balanced human beings have relied on for centuries: common sense, thrift, realistic expectations, patience and perseverance"– Jack Bogle, Vanguard CEO & Founder

Global equity markets rose in January despite the US Government shutdown (which the US Congress estimates cost the US economy $11 billion versus $33bn for 'the wall') and weak economic data reports from Europe and China. We expect reported data to remain weak for the fourth quarter of 2018, which may temper enthusiasm. We believe, however, that it is important to remember that this data is backward-looking, and we remain open to opportunities that may arise from over-reaction to these releases.



Source: TIM/Bundesministerium fur Wirtschaft und Arbeit/INSEE National Statistics Office of France/UK Office of National Statistics

Hopes of a trade deal between China and the United States lifted investor optimism from the melancholy mood at the end of 2018. The currency markets were also active in the month, with the yen seeing investor interest, which is traditionally bearish indicator, and sterling appeared to have found a floor as the UK parliament floundered around trying to decide how to proceed in the Brexit negotiations. This month may have seen the passing of Vanguard's founder, but perhaps the global political class could do well to follow his advice.

The VT Tyndall Global Select Fund (B Inc) followed the rise in global equity markets ending the month 3.29% higher than at the turn of the year.

Rather unexpectedly, Fiserv announced the acquisition of First Data Corp, a rival financial outsourcing company with a lower market valuation and a rather leveraged balance sheet. The initial market reaction was very negative, however, we believe that the strategic rational makes sense. Although

Fiserv has net cash its balance sheet, owing to the debt that it is taking on as part of the transaction, prudently the management have decided to suspend their buyback programme. Historically Fiserv has not paid a dividend but has bought back c.3% of the outstanding capital each year.

We believe that an increase in leverage will be reduced in short-order given the earnings accretive nature of the deal and potential synergies. We expect that the debt level will reduce from 4x net debt/EBITDA post the deal to 2.5x by 2020 and that the cash generation of Fiserv will enable the company to reinstate the buyback programme prior to that date. Fiserv has consistently grown earnings well in excess of 10% for the past 33 years and increased Free Cash Flow 5-10% faster than that of earnings. First Data has also displayed consistent revenue growth of 4-5% per annum and robust Free Cash Flow.

We believe that the initial market reaction misunderstood the strategic fit between the two companies and the improved market offering from the combined entity. Although both companies offer back and middle office outsourcing to financial institutions (Fiserv has a very diversified client base where the top 50 of its greater than 13 thousand customers only account for 20% of revenues) there is only significant overlap in Card Production, Risk and Compliance, which accounts for 12% of combined revenues. The remaining areas of expertise are almost totally mutually exclusive and therefore the cross and upselling opportunity given the wider offering is significant; Fiserv will become #1, #2 or #3 in each of the verticals it is present in, making it the scale leader in merchant acquiring, processing, card issuance and network solutions. The deal is estimated to be 40% earnings accretive by year five given the synergies and limited overlap.

Fiserv and First Data Product Offering and Overlap

Financial Institution Solutions	**Fiserv**	**First Data**	**% of Total Revenues**
Bank Core Processing	Revenues	No Revenues	13%
Credit Union Core Processing	Revenues	No Revenues	2%
Item/Image Processing	Revenues	No Revenues	2%
Total Financial			**17%**
Payment/Industry Products			
Bill Pay/Internet Banking	Revenues	No Revenues	10%
US Debit Processing	Revenues	No Revenues	6%
US Credit Processing	No Revenues	Revenues	6%
International Credit Processing	No Revenues	Revenues	4%
PIN Debit Network	Limited Revenues	Revenues	4%
Card Production/Risk/Compliance/Other	Revenues	Revenues	12%
Investment Services	Revenues	No Revenues	1%
Total Payments			**44%**
Merchant Acquiring			
NA Global Business Solutions	No Revenues	Revenues	30%
International Global Business Solutions	No Revenues	Revenues	9%
Total Merchant Acquiring			**39%**

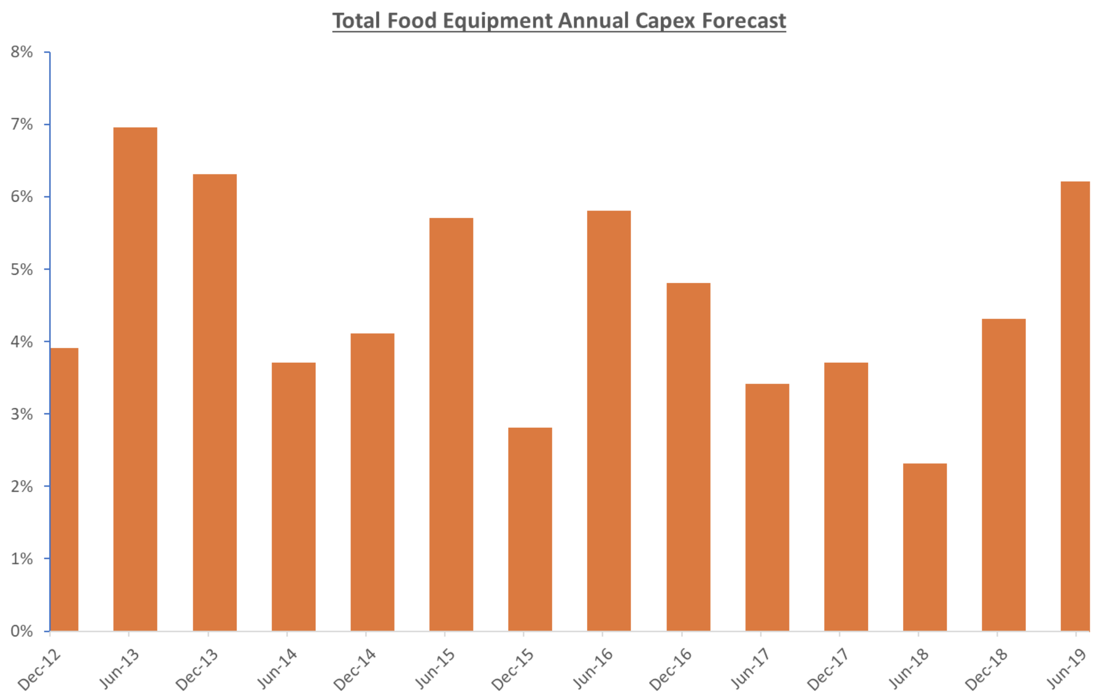
No Revenues | Revenues | Limited Revenues

We believe that the new entity has no less visibility than the existing Fiserv offering, given that it has a 98%+ customer retention record and 80-85% recurring revenues. We continue to hold Fiserv and expect that the margin accretion and earnings potential will continue to offer shareholders significant upside once the dust settles.

As highlighted last year, we made an investment in the German cooker producer Rational. The company is the market leader in cooking solutions in Europe, however its market share outside Europe is significantly lower. Recently the company has begun to address this issue and sales in the US have significantly increased as it takes share from its competitors. Given the cost benefit, superiority of its products, both in physical and digital and rapid payback time on investment, we understand why this should be the case and remain so.

November's Trendmapper tracking survey by the National Restaurant Association (NRA) found that 56% of restaurant operators expect to make an investment in kitchen equipment in the next six months and 53% have done so in the past three months, an increase from 46% and 48% respectively. They also found that 75% of Quick Service Restaurants (QSR) expect to increase capex in equipment in the next six months, all of which bodes well for future sales.

A recent survey by the analysts at R.W.Baird & Co backed up the findings of the NRA. They surveyed a mix of QSR, Fast Casual and Casual Dining establishments as to their expectations in the coming year. 80% of the respondents expect that they will increase capex and a further 11% expect investment to remain at similar levels to 2018. More significantly, however, the spend in back-of-the-house food preparation replaced front-of-the-house as the key priority; décor renovations and expansion became much lower priorities than in the past.

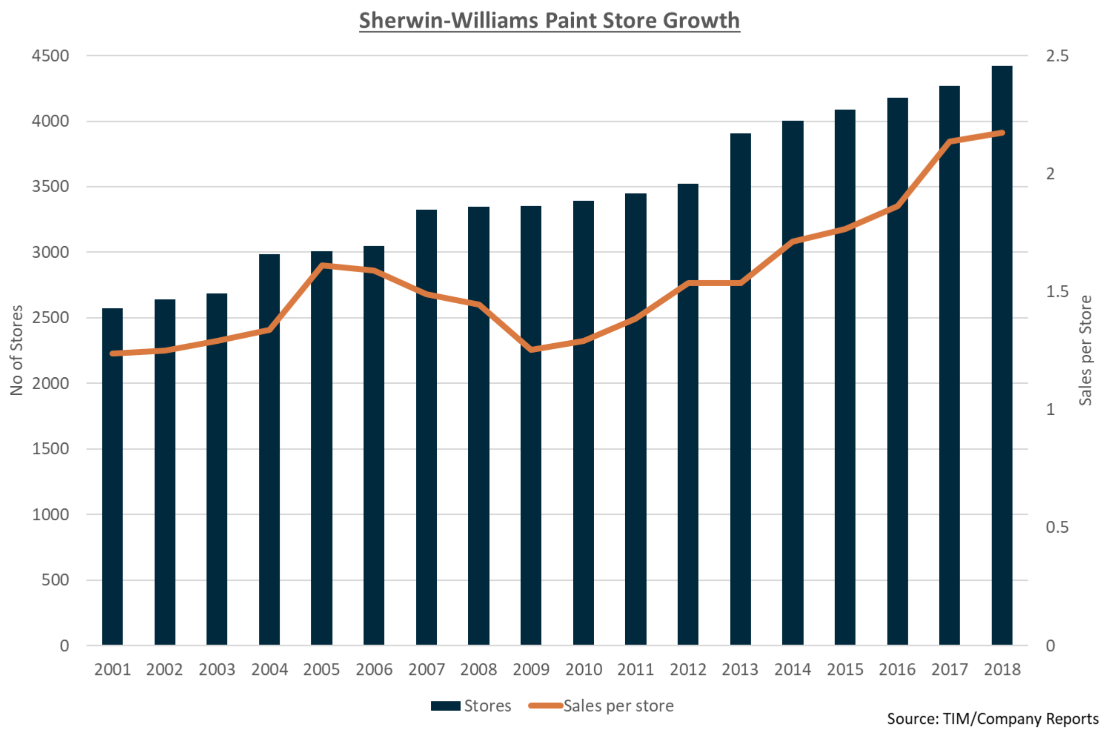


Source: TIM/ R.W.Baird

The expected expenditure on food equipment in the survey grew to over 6%, continuing the steady progress from the same period last year. Whilst competitors such as Middleby will also benefit from this trend, for the reasons given above and in October's newsletter, we expect Rational to continue to take share, thus growing US sales above the rate shown in the survey.

Our holding in the paint company Sherwin-Williams also caused headlines this month by issuing a profit warning owing to lower than expected store sales in October and November. Much of the slowdown was caused by several large commercial projects being pushed into the first half of 2019 and a 3% headwind from new revenue recognition standards. Management also witnessed many domestic retail customers reducing their inventories in the quarter which added to the headwinds.

Sherwin-Williams is a good example of a company with pricing power, as despite lower sales than expected in October and November, they pushed through a price increase in December. Rather than exacerbating the issue, the company saw the pace of sell-though strengthen and commented that January had been even stronger thus far. The raw material headwind, that the company endured for most of 2018, should turn into a tailwind in the first quarter of 2019 as petrochemical pricing started to ease in the back half of the year.

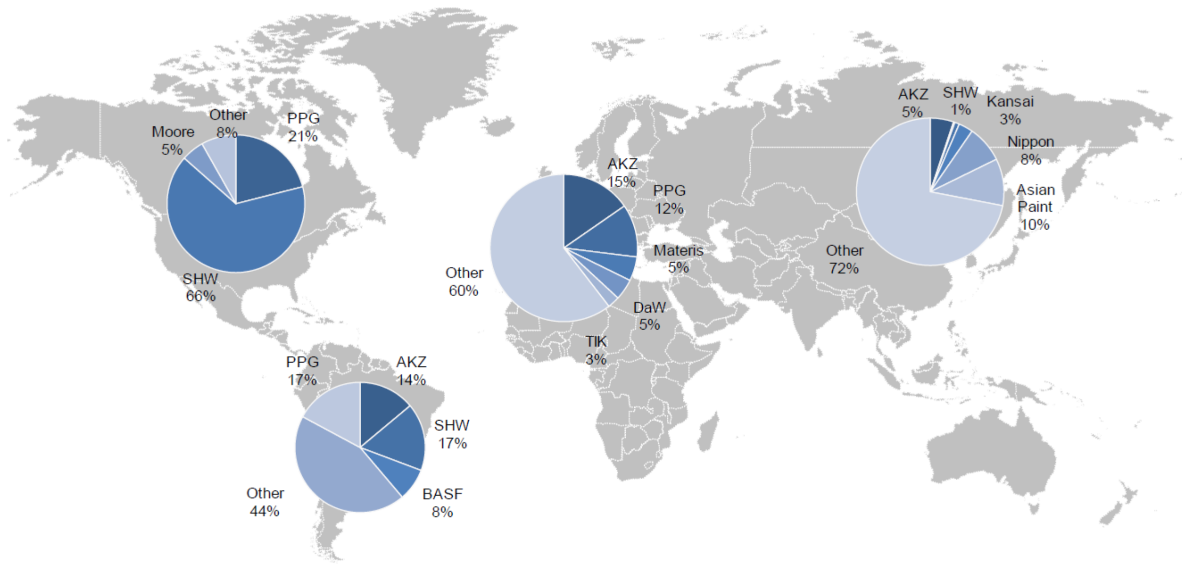


Source: TIM/Company Reports

The US paint market is somewhat different to that in Europe, with a large exposure to 'Do It For Me', which is growing at 2x the market rate, rather than the European preponderance for DIY. The market is set up to reflect this, and Sherwin Williams' wide network of own stores (rather than selling it through third parties such as B&Q and Homebase that peers such as Akzo Nobel do) enables it to pass through costs quickly and service professionals that either can absorb the cost or pass through to the end consumer. The company has in excess of 4,400 paint stores in the United States and derives 70%

of its sales from its home market, where it has a 66% market share in the profitable architectural coatings market.

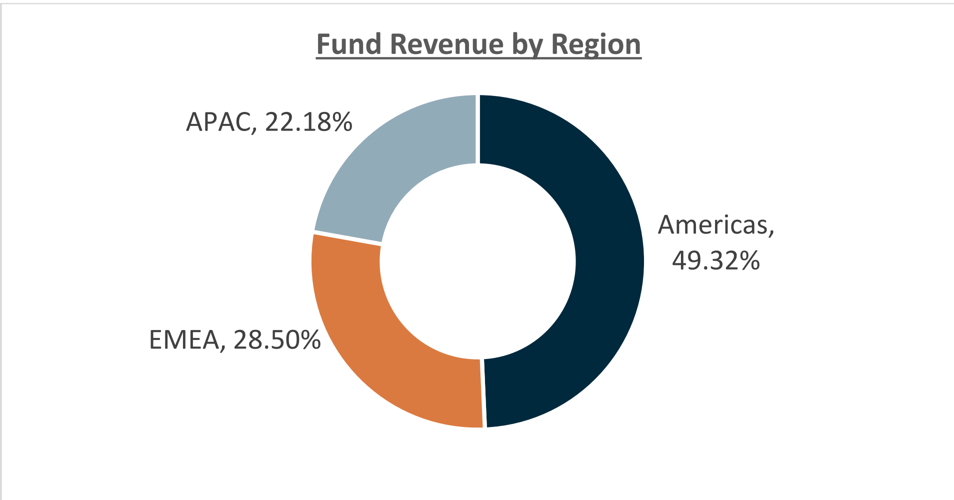
Global Architectural Coatings- Market Share by Region (2016)



Source: Company Data, Raymond James.

With the drag from raw material inflation easing and growth returning we expect that Sherwin-Williams is well positioned for a robust 2019, a view that we feel is supported by management's decision to open a further 36 new paint stores in the last quarter.

One interesting observation noted this month is that despite our negative view on the macroeconomic backdrop in Europe, four out of our holdings listed in Europe rose by more than 10% this month out of a total of nine in the wider fund (one of which was listed in Asia), further adding weight to our argument that reporting exposure by country of listing is futile. We prefer to look at geographic exposure by revenues and profits. Currently the fund exposure by revenue is as follows:



Important Information:
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